

**MINISTRY OF ENVIRONMENT AND
CLIMATE CHANGE STRATEGY
DECISION NOTE**

Date: March 27, 2020

File: 280-20

CLIFF/eApprovals #:357059/4355

Deadline for Approval: Apr 27, 2020

PREPARED FOR: Deputy Minister, Kevin Jardine, Ministry of Environment and Climate Change Strategy and Deputy Minister, Dave Nikolejsin, Ministry of Energy, Mines and Petroleum Resources

ISSUE: Administration of the CleanBC Industrial Incentive Program

BACKGROUND:

The CleanBC Program for Industry (CPI) was announced in Budget 2018, with two objectives: to facilitate greenhouse gas emission (GHG) reductions while supporting industrial competitiveness. It is funded through incremental carbon tax revenue (i.e. the portion above \$30/tonne) paid by large industrial facilities.

The CPI has two initiatives:

- **CleanBC Industrial Incentive Program (CIIP)** that reduces carbon-tax costs for industrial operations that meet world-leading emissions intensity benchmarks; and
- **CleanBC Industry Fund** that supports industry investments to reduce emissions.

For 2020/21, facilities that would receive an incentive payment less than 75 percent based would be eligible to receive a 75 percent payment for amounts paid over \$30/tonne if they agree to submit and receive approval of a practical and material emissions reduction plan.

Program requirements for CIIP build on emission reporting requirements under the *Greenhouse Gas Industrial Reporting and Control Act* (GGIRCA). Applications to the CIIP are dependent on two sources of information – 1) GGIRCA emission reports; and 2) production and other related information collected. Under GGIRCA, emission reports are due May 31, 2020. CIIP applications are submitted after emission reports.

As a response to COVID 19, this year the emission reports will be due July 31, 2020. This date is consistent with Canada's emission reporting which has been moved from June 1 to July 31, 2020. B.C. operations report to both B.C. and Canada and harmonized emission reporting deadline reduces any unnecessary duplication between the two systems

DISCUSSION:

The current and evolving economic situation has resulted in negative impacts to industrial operations across B.C. In particular, commodity-focused businesses, including pulp and paper, mining, and oil and gas sectors are facing multiple challenges, including both liquidity constraints and possible employment impacts in the near to medium term. The CPI is considering options to support industrial stakeholders in meeting these challenges.

s.13; s.17

s.13; s.17

In Budget 2020, \$105 million was allocated to the CPI, with \$49 million of these funds in contingencies. This CPI amount is based on the amount of carbon tax over \$30 paid by the large industrial sectors. Appendix 1 provides a for Summary of proposed payments broken down by sector. s.13; s.17

s.13; s.17

Option 1 / Kevin Jardine

DECISION & SIGNATURE

Kevin Jardine

Deputy Minister, Ministry of Environment and Climate Change Strategy

May 4, 2020

DATE SIGNED

Option 1 / Dave Nikolejsin

DECISION & SIGNATURE

Dave Nikolejsin

Deputy Minister, Ministry of Energy, Mines and Petroleum Resources

May 2, 2020

DATE SIGNED

Attachments:

- Appendix 1: Summary of Payments by Sector
- Appendix 2: Cash Flow by Sector
- Appendix 3: List of Operations

Contact:

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Climate Action Secretariat
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Clean Growth
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Appendix 2: Cash Flow by Sector

	2019-20 Payments	2020-21 Original Plan						2020-21 Revised Plan					
Sector	Total (\$M)	Q1	Q2	Q3	Q4	Total (\$M)	% incremental carbon tax back to industry	Q1	Q2	Q3	Q4	Total (\$M)	% of incremental carbon tax back to industry
Incentive Payments													
Oil & Gas	19.33			33.07		33.07	71%	18.68		18.68		37.36	80%
Mining	6.88			15.16		15.16	87%	7.70		7.70		15.41	88%
Wood Products	5.29			7.11		7.11	60%	4.47		4.47		8.95	75%
Cement	1.27			3.57		3.57	100%	1.78		1.78		3.57	100%
Other	0.59			4.80		4.80	80%	2.41		2.41		4.83	82%
Total Incentive Payments	33.36	0	0	63.70	0	63.70	74%	35.05	0	35.05	0	70.11	82%
Investment Fund payments	7.69			17.66	17.66	35.32		1.1	1.1	13.33	13.33	28.91	
Administration costs	4.81	1.41	1.41	1.41	1.41	5.64		1.41	1.41	1.41	1.41	5.64	
Total Clean BC	45.85	1.41	1.41	82.77	19.07	104.67		37.59	2.54	49.80	14.74	104.67	

Appendix 3: List of Operations Eligible for CIIP

Primary Sector	Business Legal Name
Oil and Gas	ARC Resources
	Bonavista Energy Corporation
	Canadian Natural Resources Limited
	Canlin Energy Corporation
	Chevron Canada Resources
	Chinook Energy (2010) Inc.
	CNOOC Petroleum North America ULC
	Encana Corporation
	Enerplus Corporation
	HARVEST OPERATIONS CORP.
	Husky Oil Operations Limited
	Ikkuma Resources Corp.
	NorthRiver Midstream Inc.
	Painted Pony Energy Ltd.
	PETRONAS Energy Canada Ltd.
	Polar Star Canadian Oil and Gas Inc.
	Shell Canada Limited
	Taq North Ltd.
	Tourmaline Oil Corp
	AltaGas Ltd.
	Black Swan Energy
	Canbriam Energy Inc.
	Cenovus Energy Inc.
	ConocoPhillips Canada Resources Corp.
	Crew Energy Inc.
	Murphy Oil Company Ltd
	Pembina Pipeline Corporation
	Whitecap Resources Inc.
	Westcoast Energy Inc.
	Alliance Pipeline Limited Partnership
	TC Energy
	TAQA Inc
Mining	Teck Coal Limited
	Copper Mountain Mine (BC) Ltd.
	New Gold Inc.
	Pretium Resources Inc.
	Red Chris Development Company Ltd.
	Teck Highland Valley Copper Partnership
	Coeur Mining Inc.
Cement	Lafarge Canada Inc.
	Lehigh Hanson Materials Ltd.

Primary Sector	Business Legal Name
Wood Products	Lavington Pellet Limited Partnership
	Canfor Pulp Ltd.
	Cariboo Pulp and Paper Company
	Catalyst Paper Corporation
	Domtar Inc.
	Howe Sound Pulp & Paper Corporation
	Mackenzie Pulp Mill Corporation
	Mercer Celgar Limited Partnership
	Skookumchuck Pulp Inc.
	West Fraser Mills Ltd.
	Tolko Industries Ltd.
	Canoe Forest Products
	Coastland Wood Industries Ltd.
Other	PeroxyChem Canada LTD
	CertainTeed Gypsum Canada Inc
	Moly-Cop Canada
	Lhoist North America
	Teck Metals Ltd, Trail Operations
	Houweling Nurseries Ltd.
	TransCanada Pipelines Ltd.
	Rio Tinto Alcan Inc
	Parkland Refining (B.C.) Ltd.
	Tree Island Industries Ltd
	Lantic Inc. - Vancouver Refinery

Information based on 2019/20 Applications

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

PREPARED FOR: Dave Nikolejsin, Deputy Minister, Ministry of Energy, Mines and Petroleum Resources

ISSUE: Applicability of Carbon Tax and Motor Fuel Tax Deferrals to Mines

BACKGROUND:

The COVID-19 pandemic has resulted in a challenging fiscal climate for mine operators represented by the Ministry Association of British Columbia (MABC). In response, the Province introduced a suite of relief measures for businesses as part of COVID-19 Action Plan. These actions include extending tax filing and payment deadlines for the motor fuel tax and the carbon tax until September 30, 2020.

On April 7, 2020, MABC and Teck Resources (Teck) each sent letters (Attachments 1 & 2) to Minister Ralston expressing a need to clarify these deferred payments and recommend adjustments that would benefit the mining sector directly.

The British Columbia (BC) mining sector supports upwards of 30,000 jobs throughout the province and is the largest private-sector employer of Indigenous people. The fifteen operating mines in BC employ approximately 8,200 workers directly and in 2019 had a production value of over \$9 billion.

Teck is the largest mining company operating in BC and among the largest mining companies in Canada. It owns and operates four metallurgical coal mines in the Elk Valley and one copper mine near Kamloops. These mines employ approximately 4,900 people, representing over 50 percent of direct mining jobs in the province, and in 2018 had a production value of over US \$5.6 billion (65 percent of total BC value of production).

DISCUSSION:

Both the motor fuel tax and carbon tax operate under security schemes: government gets its revenue in the form of security from the top of the supply chain. The businesses that pay security to government do so using monthly or quarterly tax returns. This measure provides relief to businesses at the top of the supply chain (suppliers) and not the end user (mines). Following the Province's action to extend deadlines, these supply firms will now instead have a tax return due on September 30, 2020.

Motor fuel tax and carbon tax are collected at the time of fuel purchase by mines and are significant costs. For marked diesel, these costs are \$0.03/l and \$0.1023/l for motor fuel tax and carbon tax, respectively. **s.13; s.17**

s.13; s.17

MABC and Teck recommend the Ministry of Finance give guidance through a bulletin that allows business purchasers to defer, without interest, tax payments on invoices from suppliers until the end of the deferral period. The tax would be paid by mines to, and remitted to government by, the supplier at the end of the deferral period. This would provide a liquidity benefit to mines.

This mechanism of deferral raises issues regarding direction given to businesses on private transactions and issuance of credit. In order to facilitate the motor fuel tax and carbon tax deferrals as recommended, mines would owe their suppliers the deferred amount. Teck has suggested an alternative solution to this where mines would owe government directly the amount deferred.

SUMMARY:

- Motor fuel tax and carbon tax are significant costs faced by mine operators.
- Motor fuel tax and carbon tax deferrals as announced as part of BC's COVID-19 Action Plan do not have a direct impact on mines.
- MABC and Teck have recommended that the Ministry of Finance issue guidance allowing deferral of motor fuel tax and carbon tax by mines to their suppliers until September 30, 2020.

Attachments:

- 1. MABC letter
- 2. Teck letter

DRAFTED BY:

Samuel Lee
(778) 572-5648

APPROVED BY:

Peter Wijkamp, A/ED✓
Peter Robb, ADM✓

Moreau, Alicia EMPR:EX

From: Michael Goehring <MGoehring@mining.bc.ca>
Sent: April 7, 2020 5:09 PM
To: Minister, EMPR EMPR:EX
Cc: Nikolejsin, Dave EMPR:EX; Robb, Peter L. EMPR:EX; Wijtkamp, Peter EMPR:EX; Michael Goehring; Lindsay Kislock
Subject: MABC letter on motor fuel and carbon taxes
Attachments: 2020-04-07 MABC Ltr to EMPR FINAL.pdf

Importance: High

Categories: Draft Reply

Dear Minister Ralston,

Please find attached a letter from MABC regarding the deferral of the motor fuel and carbon taxes in the COVID-19 Action Plan.

If you have any questions or concerns, please don't hesitate to call me at 604-374-3271.

Regards,
Michael

Michael Goehring
President and CEO

Mining Association of British Columbia
Suite 730, 800 West Pender Street
Vancouver, BC V6C 2X4
Direct: 604-681-4321 ext: 120
cell: 604-374-3271

mining.bc.ca

April 7, 2020

Hon. Bruce Ralston, MLA
Minister of Energy, Mines and Petroleum Resources
PO Box 9060, Stn Prov Govt
Victoria, BC V8W 9E2

By email: EMPR.Minister@gov.bc.ca

Re: MABC comments on the implementation of the motor fuel and carbon tax deferrals

Dear Minister Ralston:

I am writing to request clarification on a particular aspect of the motor fuel and carbon tax deferrals in the COVID-19 Action Plan. Specifically, our members are concerned that they (and other business purchasers of fuel) will be obligated to continue paying these taxes to their fuel suppliers during the deferral period, unless their suppliers receive guidance to the contrary from the Ministry of Finance.

Before I continue, I would like to take this opportunity to acknowledge and commend you and the BC Government for your highly capable and swift response to, and management of, the COVID-19 health and economic crisis. Dr. Bonnie Henry and Minister Dix have showed remarkable leadership and proficiency in tackling an unprecedented health threat facing all British Columbians. Further, you, your ministry and other policy makers have responded quickly and decisively to the economic threat posed by the virus with the COVID-19 Action Plan. BC's mining industry endorses the combination of measures included in the Action Plan to help protect business, keep British Columbians working and provide aid to those who need it most. Moreover, from the outset, the Ministry of Energy, Mines and Petroleum Resources has understood the magnitude of what our industry is facing and has been very helpful and responsive.

We consulted with our members on the motor fuel and carbon tax deferrals immediately following the announcement of the COVID-19 Action Plan. Given their material impact on our members' operations, MABC advocated for and fully supports these deferrals. However, a number of members expressed the following concern related to the implementation of the deferrals: when fuel is supplied to their operations by their suppliers, the suppliers include the motor fuel and carbon taxes on their invoices. Our members must pay those invoices, along with the taxes, leaving the suppliers to benefit from the deferred remittance obligation, not the mines.



This is clearly a situation that was unintended and not envisioned by the ministry of finance but appears to be amenable to a remedy. To ensure the benefit of the deferral of the motor fuel and carbon taxes flows to our mines and other industrial operations, we recommend the ministry of finance consider providing guidance through a bulletin that will enable business purchasers to defer, without interest, tax payments on their invoices from suppliers until the end of the deferral period. The taxes could be paid to the supplier at the end of the deferral period and remitted to government. This situation may also apply to the application of the PST on a mine's purchase of goods and services.

To be sure, in addition to the carbon tax, the motor fuel tax is material to our members' operations. I have included below the approximate costs of these taxes on two average-sized operating mines:

Mine 1:

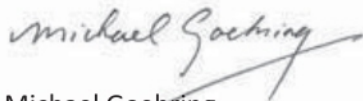
- Carbon tax (motor fuel/natural gas): \$330,000 per month / \$3.9M annual
- Motor fuel tax: \$100,000 per month / \$1.2M annual

Mine 2:

- Carbon tax (motor fuel only) \$250,000 per month / \$3M annual
- Motor fuel tax: \$75,000 per month / \$900,000 annual

I would be pleased to discuss this inquiry with you and your team and/or finance officials. Representatives of mines 1 & 2 above, would also be pleased to make themselves available. In closing, I would like to restate our industry's gratitude for the quick and decisive action the ministry and the Government of British Columbia have taken to address the impacts of the COVID-19 crisis. Thank you for your dedication and effort. Please do not hesitate to contact me directly at 604-374-3271 or by email at mgoehring@mining.bc.ca.

Sincerely,



Michael Goehring
President and CEO



Moreau, Alicia EMPR:EX

From: Maynard Benjamin VANM <Benjamin.Maynard@teck.com>
Sent: April 7, 2020 8:06 AM
To: Minister, EMPR EMPR:EX
Cc: Nikolejsin, Dave EMPR:EX; Robb, Peter L. EMPR:EX; Syer Tom VANM; Powrie Douglas VANM
Subject: Teck letter to Hon. Bruce Ralston re COVID-19 Action Plan Tax Deferrals (April 7, 2020)
Attachments: Teck Letter to Hon. Bruce Ralston re COVID-19 Action Plan Tax Deferrals (April 7, 2020).pdf

Follow Up Flag: Follow up
Flag Status: Completed

Categories: Draft Reply

Dear Minister Ralston,

On behalf of Tom Syer, Head of Government Affairs at Teck Resources Limited, please find attached a letter addressed to you regarding Teck's comments and recommendation on tax deferral measures in the BC Government's COVID-19 Action Plan.

Regards,
Benjamin Maynard

Benjamin Maynard
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April 7, 2020

Hon. Bruce Ralston, M.L.A.
Minister of Energy, Mines and Petroleum Resources
PO Box 9060 Stn Prov Govt
Victoria, BC V8W 9E2

Re: Teck comments and recommendation on tax deferral measures in the BC Government's COVID-19 Action Plan

Dear Minister Ralston,

As the BC Government continues developing measures in response to the impacts of COVID-19 on the economy, enclosed are Teck's comments and recommendations for consideration as the initial suite of tax deferral measures moves forward to implementation.

At the outset, Teck would first commend and recognize the BC Government for its leadership in addressing COVID-19 as a major health crisis with serious social and economic effects. During these unprecedented times, we have taken comfort knowing that the proficiency and dedication of all health officials involved – from the Minister of Health and the Provincial Health Officer to those serving on the frontlines – will continue guiding the province through this crisis to the best extent possible.

We also applaud the BC (and federal) Government for its initial response to COVID-19 impacts on the economy – which are severe and unprecedented. We fully support many of the relief measures for BC businesses as part of the COVID-19 Action Plan and we are hopeful these measures will go a long way to keep businesses afloat, sustain jobs and support those most in need. We also believe the inclusion of mining and smelting as "essential services" is critically important for the province.

Shifting to the specific topic for this letter – the suite of tax payment deferrals – we believe the BC Government needs to clarify and address initial interpretations and technical aspects relating to tax payment deferrals. In this letter we cover three areas: the carbon tax, motor fuel tax (MFT) and the provincial sales tax (PST). With greater clarity, we can ensure those aspects of the COVID-19 Action Plan realize their actual intent. While not specific to this letter, we also believe the BC Government should consider future actions to support liquidity and the economic recovery phase by deferring payments for additional taxes, such as the mineral tax.

Technical fixes on tax payment deferrals

When the BC Government announced that carbon tax, MFT and PST payments could be deferred, we expected this would allow Teck's BC operations to defer payment of these taxes to the extent they are paid and borne by our operating sites. However, this is not the case, except where we are self-assessing

the taxes. Where fuel and goods are supplied to sites in BC, our suppliers generally act as tax collection agents, including in their invoices the required tax. We pay those invoices, including the tax, and the suppliers, not us, benefit from the deferred remittance obligation.

We recommend the BC Government address this unexpected result with guidance that allows business purchasers to defer, without interest, tax payments on invoices from suppliers until the end of the deferral period. The tax would be paid to and remitted by the supplier at the end of the deferral period. Alternatively, the tax might be paid directly to government, if this was a preferred solution. This could be inclusive of carbon tax, MFT and PST. However, if government is concerned about the potential complexity of this, we would recommend that the carbon tax and MFT be prioritized.

In conclusion, I would like to reiterate that we commend the BC Government for its leadership and incredible efforts to date for addressing all aspects of COVID-19. However, for the COVID-19 Action Plan to realize its full intent, we urge the BC Government to consider our comments and implement our recommendation above. We would be pleased to discuss this directly with you and your team and/or Ministry of Finance officials at the appropriate time, understanding this is an extremely challenging and busy period for all levels of government. If you have any questions or concerns, or if you would like any additional information or clarifications, please do not hesitate to contact me at 604.699.4458 or Tom.Syer@teck.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Syer', with a stylized, wavy line extending from the end.

Tom Syer
Head, Government Affairs

Cc: Dave Nikolejsin, Deputy Minister, Ministry of Energy, Mines and Petroleum Resources
Peter Robb, Assistant Deputy Minister, Ministry of Energy, Mines and Petroleum Resources
Doug Powrie, Vice President, Tax, Teck Resources Limited

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

PREPARED FOR: Dave Nikolejsin, Deputy Minister, Ministry of Energy, Mines and Petroleum Resources

ISSUE: Taranis Resources is unsatisfied with the status of review on their bulk sample application for the Thor Project located in Southeast BC

BACKGROUND:

Taranis Resources (Taranis) applied to the Ministry of Energy, Mines and Petroleum Resources (EMPR) to extract a bulk sample on October 15, 2018. They intend to mill a bulk sample (up to 10,000 tonnes) on site which will include a small dry stack tailings storage facility and water discharge to the environment.

The project requires both a *Mines Act* permit and an *Environmental Management Act* discharge permit. An interagency Mine Development Review Committee was struck to review the joint application as this legacy mine site has significant issues surrounding water quality, acid rock drainage, recreational use, and critical caribou habitat. Further, plans to mill ore on site, construct a tailings storage facility and discharge water that may require a water treatment plant adds considerable complexity to the application. The company believes that the requested information is too onerous, while reviewers believe it is consistent with the risks posed by the project. There are also significant concerns on EMPR's part relating to the quality of information provided. These issues have led to delays in the process and frustration for all parties.

Correspondence from the company on May 18, 2020 indicated that they have discontinued further work on the application pending the outcome of three investigations. These are:

- 1) Ombudsperson investigation into Taranis complaints surrounding management of the review and policies that govern the application. The Regional Director has provided a submission to the Ombudsperson in response.
- 2) s.15
- 3)

DISCUSSION:

Taranis has been asked by EMPR to submit information necessary to close out review of their application. In response, they have asked that the technical review be closed and that outstanding issues be set as Permit Conditions. This is not a viable option given the extent of the issues that remain unresolved. With the risks presented by this project, and the state of the application, a Statutory Decision Maker making a decision with the information at hand may choose to reject the application – an outcome that neither EMPR or the company wants.

s.15

CONCLUSION:

At present, there is an impasse between the company and EMPR. EMPR is unable to conclude the review without the additional information requested, and Taranis is unwilling to provide any additional information until the three investigations are complete.

EMPR is ready to seek a path forward with the company. In the meantime, EMPR will cooperate fully with the Ombudsperson and with the OIPC as they look into allegations made by Taranis.

DRAFTED BY:

Kathie Wagar, Regional Director
250-643-0227

APPROVED BY:

Heather Cullen, ED, Regional
Ops✓
George Warnock, Exec Lead,
Auth✓
Peter Robb, ADM✓